

**The Board**  
**20 October 2011**

# Minutes

# Present

## **Members**

Andrew Likierman	AL	Chair - Non-Executive Member
Amyas Morse	AM	Comptroller and Auditor General (C&AG)
Ruth Evans	RE	Non-Executive Member
Paula Hay-Plumb	PHP	Non-executive Member
Ed Humpherson	EH	Assistant Auditor General
Richard Fleck	RF	Non-Executive Member
Mary Keegan	MK	Non-Executive Member
Michael Whitehouse	MW	Chief Operating Officer

## **Attendees**

Ruth Brutnall	RB	Head of Governance
Marcial Boo	MB	Director, Strategy, Knowledge and Communications
Jim Rickleton	JR	Director General, Finance and Commerce

The Minutes record the business of the Board in Agenda order.

## Item 1

### Apologies for absence

- 1.1 Apologies were received from Gabrielle Cohen

## Item 2

### Declarations of interest

- 2.1 There were none.

## Item 3

### Minutes of meetings and action points

- 3.1 The minutes of the Board meeting held on 20 September 2011 were approved. No sensitive items were identified which would affect their public disclosure, and the Board agreed to their publication on the NAO website.
- 3.2 Progress on action points was noted and it was agreed that those items marked 'propose delete' should be deleted from the action log.

### Matters arising

- 3.3 There were none.

### C&AG's update

- 3.4 The Board noted the written report, and the C&AG provided an oral update on key issues since the Board last met, including his engagement with local authorities and the implications for the NAO's relationships with senior stakeholders in departments of recent changes and permanent secretary level within government, following the announcement of Gus O'Donnell's retirement.

The C&AG updated the Board on the progress of the NAO's engagement with the AIU in advance of the 2012 inspection, providing an overview of his meeting with Baroness Hogg on the changes at the FRC. The Board discussed the issue of accountability, which continued to be a strong theme of the NAO's work and an issue of interest to the Committee of Public Accounts.

## Remuneration Committee

- 3.5 Ruth Evans provided an oral update on the considerations of the Remuneration Committee which had met that morning.

## Item 4

### Business Report & Quarterly Risk Report

#### Business Management Report

- 4.1 JR Presented the Business Management Report for September, which included the six month management accounts, and invited the Board's comments. The Board's considerations focused on two elements where the report suggested that current performance was not in line with agreed targets, Correspondence and the Performance Improvement Programme.
- 4.2 On correspondence the Board queried the number of outstanding items, and sought assurance that action was in hand to address these and that the NAO was taking sufficient action to manage issues of reputational risk which may arise from the delayed response. MW reported that where it was the case that a response remained outstanding, or was likely to take more than 30 days to provide, the teams contacted the correspondent to explain this, and provide reasons for the delay and a timescale for the response.
- 4.3 The Board also noted the red rating of the Best Practice element of the Performance Improvement Programme, reflecting the reduced number of deliveries against target, but an overspend against the forecast budget. JR explained that this was due to a number of projects where the work had been done but delivery of the final product was anticipated later in the year. MW reported that the Leadership Team had recently taken action to strengthen the central control and coordination of the Performance Improvement Programme, and that he and Amyas would be more closely involved in monitoring and approving work. The Board endorsed this approach by the Leadership Team.

## Quarterly Risk Report

- 4.4 The Board discussed a number of elements of the quarterly risk report, including the current uncertainty regarding the potential pace of change following the closure of the Audit Commission, which was reflected in the rating for this risk area.

## Item 5

### **Managing Our Resources: mid-year performance and financial forecast**

#### NAO's Corporate Costs

- 5.1 The Board received a report on the NAO's mid-year review of its corporate costs, which had identified a small surplus. MW reported that the Leadership Team had considered this at its October meeting and had discussed the possibility of using this to resource additional support for the financial audit cycle, or in supporting the NAO's response to emerging external challenges; it was agreed, however, that unless there was a clear strategic priority the monies would be surrendered as part of the NAO's on-going commitment to using public money only as clearly needed. The Board endorsed this decision.

#### Performance Review

5.2 Marcial Boo introduced the performance report, which covered the period April-August 2011, noting that this was the first report against the new measures agreed by the Board for the year 2011-12. The Board discussed a number of aspects of the report, noting the following:

- Current performance was below target in relation to the financial impacts target. Action was in hand to address this, including additional support for team in identifying and recording financial impacts, and work by economists within the NAO to review the target.
- The way in which the NAO engages with stakeholders in Parliament and its relationships with committees of both the House of Commons and House of Lords.

## Item 6

### NAO Strategy: 2012-13 to 2014-15

6.1 Marcial Boo introduced the paper, and invited the Board's comment. In addition to providing specific comment on the drafting, discussion focused on the following points:

- the importance of marking the distinction between the value placed on our work by Parliament and other stakeholders, and the quality of our work;
- the importance of highlighting those elements of the strategy which are new for this year, and the potential to use the C&AG's foreword to do this;
- the reasoning being the resource assumptions set out in the strategy and the need to provide clarity in the strategy document regarding the NAO's achievement of the efficiency savings of 15% established in the previous strategy, and where additional resources are required for new responsibilities arising for example from the abolition of the Audit Commission; and
- the need to invest in people and systems to ensure the NAO has the capability and capacity to deliver the commitments made in the strategy.

**Action: Marcial Boo** to ensure that the comments of the Board were reflected in the next draft of the strategy.

## Item 7

### Board Objectives and Annual Programme

7.1 The Chairman introduced the proposed objectives for the Board's third year which reflected the comments of members, and a draft annual programme to support the Board in delivering them. The Board approved the objectives and annual programme, which would form the basis for the Board's work in 2012.

## Item 8

### Any Other Business

8.1 The Board received the final draft of the Transparency Report for information, noting that it reflected their comments and changes.

8.2 The Board addressed one other item of business, briefly discussing the informal meeting between non-executive members and NAO managers, which had taken place earlier in the day.

**Ruth Brutnall**

October 2011

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**Chairman**